Shareholder Communications

Social Media Is Changing Shareholder Engagement

By Sherri McLoughlin

Trevor Norwitz of Wachtell, Lipton, Rosen & Katz wrote in a 2014 post on the Harvard Law School Forum on Corporate Governance and Financial Regulation blog that it's imperative that companies have a social media strategy, especially for contested votes when they may need to defend against an attack. Indeed, social media has been used in recent high-profile proxy contests, including at ADP, Arconic, and Procter & Gamble Co. It has also been used by activist investors looking to broadcast their messages to a wider audience.

Corporate directors seeking better engagement with their retail shareholders are now similarly turning to social media, as these sites provide an efficient and effective way to communicate with this group. Soon, new safeguards will enable these shareholders to securely vote their proxies with mere taps and swipes on their mobile phones.

Improving retail shareholder engagement is vital to companies seeking to understand the sentiments of all of their shareholders because many individuals do not vote. Retail investors own 30 percent of shares in public companies, while institutional investors own 70 percent; however, retail investors only vote 29 percent of their shares, while institutional investors vote 91 percent of their shares. More than 88 billion retail shares were not voted during the 2017 proxy season, according to ProxyPulse data.

It is important for companies to engage retail investors who might otherwise vote with their feet. The traditional approach to boosting retail investor turnout is often a costly combination of telephone calls, overnight mailings, and reminder e-mails. These methods will continue to be useful in increasing shareholder engagement, but in our digital world, it's important to directly—and immediately—reach retail shareholders wherever they are. For a growing number of shareholders, that's on social media.

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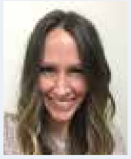
Recently, the use of social media has become more targeted. In one case, one company found that over 85 percent of its shareholders were social media users. The firm sought shareholder approval for a proposal and needed to attain a voting quorum of at least 50 percent of the outstanding shares eligible to vote. The voting participation of their retail shareholders was nearly double the firm's typical turnout. The company targeted its shareholders through social media ads with a Facebook news feed posting that directed them to a voting page with a secure ballot. Ten percent of those shareholders clicked through to the voting website.

These campaigns also have an indirect impact that is harder to measure. Some shareholders may read a news feed item and vote later. Some may call their advisor, while others might mail a paper ballot. On balance, we know the campaign was remarkably effective. The company's social media campaign was the first to attain quorum, while its other campaigns, which did not use social media, took far longer. That allowed the firm to end all tactics for that campaign so it could focus on increasing turnout for the other four campaigns.

Using social media holds promise not only to improve shareholder engagement, but also to tailor communications to various shareholder segments. For example, a campaign could focus on shareholders with more significant share holdings and modify messages based on demographic factors, such as gender or location. Engaging shareholders using social media will become a vital tool for many companies to complement existing shareholder communications. A recent Pew study reveals that 68 percent of Americans use Facebook (Instagram is in second place with 35 percent), and that it's the most effective social media platform for reaching older, wealthier, college-educated people.

Social media campaigns are economical, too, costing a fraction of a phone campaign, the cheapest traditional means of contacting shareholders. Given the popularity of social media, it's a medium that companies should embrace, not just during proxy votes but throughout the year to improve shareholder engagement.



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